

Financial Statements

Fiscal Note	1-3
Overview of State Spending.....	1-5
Financial Statement Explanation	1-7
Financial Statements.....	1-15
Fund Balance Tables	1-19



Fiscal Note

The Governor submits the House 2 budget recommendation for FY 2015 for the maintenance of the departments, boards, commissions, institutions and certain activities of the Commonwealth, for interest, sinking fund and serial bond requirements. The Governor's budget recommendation totals \$36.373 B, before including the state's annual contribution for employee pension costs. When accounting for state pension costs, total FY 2015 state spending equals \$38.166 B. The estimated spending for the current fiscal year (FY 2014) totals \$34.682 B. FY 2015 spending will be 4.88% greater in estimated spending than FY 2014.

	FY2014	FY2015	Annual Change	% Change
Section 2 Direct Appropriations:	34,115.80	35,762.00	1,646	4.83%
Section 2 Retained Revenues:	566	611	45	7.91%
Total FY 2014 Section 2 Spending	34,682	36,373	1,691	4.88%
State Pension Contribution:	1,630	1,793	163	10.00%
Spending Including Pensions:	36,312	38,166	1,854	5.11%



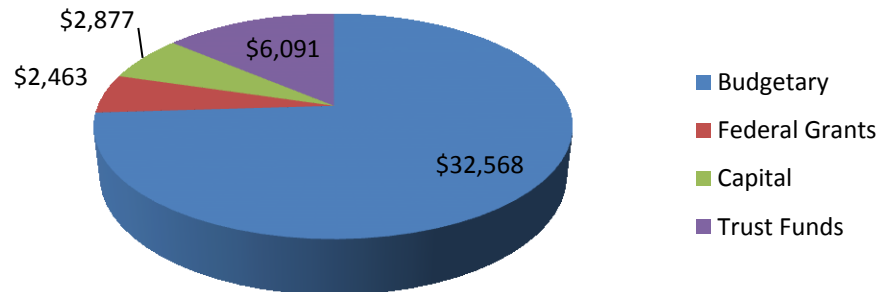
Overview of State Spending

When considering the Governor's recommendation for the FY 2015 budget, it is important to remember that the funding levels proposed do not encompass the entirety of Massachusetts's state spending for the next fiscal year. In fact, a meaningful amount of state spending every year is done "off-budget" or through fund sources that are not subject to the annual appropriations adopted by the Legislature. The spending that is done by the state from non-budgetary sources falls into three general categories:

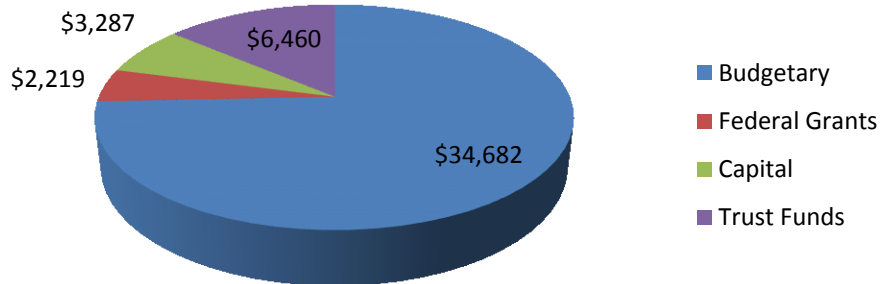
- **Federal Grants** – Annually, the federal government provides billions of dollars in funding to state agencies to operate programs, whether ongoing or one-time, for a variety of purposes including housing, public health, environmental health, education and public safety. State agencies are responsible under state law for notifying the Legislature and the Executive Office for Administration and Finance (A&F) of their intent to apply for these funds, but are otherwise given flexibility in the timing and purpose of the expenditure of these funds. Most federal grants require rigorous reporting standards with which applicant state agencies must comply. The FY 2015 budget recommendation provides projected spending amounts for federal grants for each department in the Appropriation Recommendations section. Under the FY 2012 budget reform that created the Office of Commonwealth Performance, Accountability and Transparency (CPAT), oversight and central coordination of federal grant management was designated to CPAT to help maximize federal funding opportunities and link federal resources with Administration funding priorities.
- **Trust Funds** – Most state agencies have established trusts, to be held on their behalf by the state treasurer, into which they are directed in law or through a trust document to deposit revenues made available to the agency for dedicated purposes and restrictions. In general, any unexpended funds in state agency trust funds remain available from one fiscal year to another for further expenditures. Projected spending amounts for trust funds are listed for each department following the state budgetary line-items in the Appropriations Recommendations section.
- **Capital Projects** – Every year the state must spend billions of dollars to support required maintenance and improvement to its transportation infrastructure, housing developments, state parks, environmental projects and investments in higher education institutions. While this spending is authorized by the Legislature, the appropriations are generally in effect over a five-year period in recognition that many capital projects must span multiple fiscal years from project inception to completion. Most capital project spending is funded through bond sales, which allow the state to finance large-scale projects through borrowing and annual debt payments. Please see the Capital Budget section in this document for further discussion of capital project spending.

The following charts show that the state operating budget makes up the largest portion of state spending in comparison to all other funding sources in any given year. Yet over 23% of total state spending occurs from non-budgetary sources. In the financial statements following this discussion, only the operating budgeted fund revenues and expenditures are displayed. It is important to note that there are further resources that are annually available to the state and its agencies beyond those subject to the annual budgeting process.

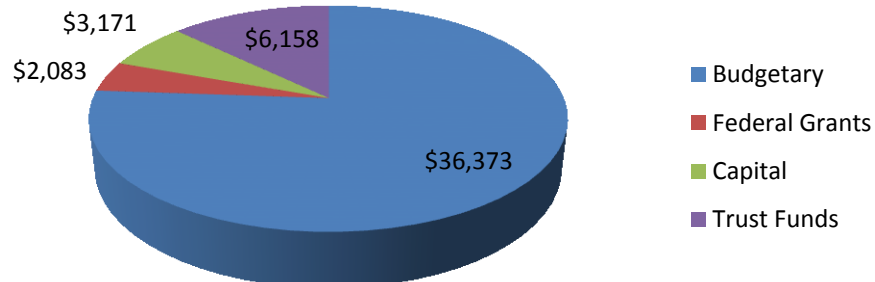
Total FY 2013 Spending \$s in millions



Total FY 2014 Spending \$s in millions



Total FY 2015 Spending \$s in millions



Financial Statement Explanation

Financial Statement Explanation

The following financial statements for FY 2013 (prior fiscal year), 2014 (current fiscal year) and 2015 (upcoming fiscal year) illustrate how the state arrives at a balanced budget for each respective year.

But what does “in balance”, in this instance, mean? And how do the financial statements go about determining whether the Commonwealth ends a year in balance in accordance with that definition?

The definition of statutory balance can vary significantly from that of GAAP or structural. Statutory balance is just that, a reflection of statutory conditions informed by the Legislative process. Statutory balance is outlined in state finance law (Massachusetts General Law Chapter 29 Section 5C).

Here is the definition of “balanced budget” according to state finance law (as recently amended by Section 43 of Chapter 38 of the Acts of 2013):

Section 5C. The comptroller shall annually, on or before October 31, certify to the secretary of administration and finance the amount of the consolidated net surplus in the budgetary funds at the close of the preceding fiscal year. Except as otherwise provided by law, the amounts so certified shall be transferred to the Commonwealth Stabilization Fund. This transfer shall be made from the undesignated fund balances in the budgetary funds proportionally from those undesignated fund balances; provided, however, that no such transfer shall cause a deficit in any of those funds. Before certifying the consolidated net surplus under this section, the comptroller shall, to the extent possible, eliminate deficits in any fund contributing to the surplus by transferring positive fund balances from any other fund contributing to the surplus.

So what is the “consolidated net surplus”?

“Consolidated net surplus”, the sum of the undesignated balances in the budgetary funds, except funds established by section 2H and section 2I and by section 2C of chapter 131 and section 35NN of chapter 10.

So what is a “budgetary fund”?

“Budgetary funds” are state funds that are subject to appropriation as provided in section six (of Chapter 29).

Budgeted operating funds are subject to appropriation of the state Legislature and receive most of the non-bond and non-federal grant revenues of the Commonwealth. Two of the budgeted operating funds account for most of the Commonwealth’s spending: the General Fund and the Commonwealth Transportation Fund. Further background on each of the operating budgeted funds can be found in the “Budget Development” section of this document.

In essence, statutory balance is a measure of the fiscal condition of the Commonwealth that requires, after accounting for current year revenues and expenditures plus any designated revenues from prior years, stabilization deposit and funds carried forward, that the budgetary funds (i.e. General Fund, Commonwealth Transportation Fund, Massachusetts Tourism Fund, funds created in the “Expanded Gaming” legislation and new funds proposed in House 2) close the fiscal year with an ending balance in those funds greater than \$0. Any remaining undesignated balances after the calculation of the Consolidated Net Surplus would be deposited into the Stabilization Fund. It is important to note that not all of the budgeted operating funds are used to calculate Consolidated Net Surplus. Some of them,

such as the Inland Fisheries and Game Fund and the Stabilization Fund, are excluded by law from the calculation. Therefore any remaining balances in these funds at the end of the year do not count toward whether the Commonwealth remains in balance.

As stated earlier, we are speaking in terms of “statutory balance”, which means the Legislature can amend the definition of balance as it sees fit. For example, in recent years a portion of the consolidated surplus has been reserved for the Massachusetts Life Sciences Center. The Governor’s FY 2015 budget provides \$25 M in Consolidated Net Surplus funds for the Mass Life Sciences Center.

Now that we have a better understanding of what the term “balance” means in this instance, let us review a number of the lines from the FY 2015 Financial Statement to understand how balance is arrived at after accounting for all of the various inflows, outflows and statutory conditions placed on the state budget.

There are three main components to the Financial Statement: beginning balances, current year revenue and spending, and ending balances.

Section 1. Beginning Balances

	ALL FUNDS
<u>FISCAL YEAR 2015 BEGINNING BALANCES</u>	
Undesignated Fund Balance	20.6
Stabilization Fund Balance	1,265.5
Designated for Continuing Appropriations into FY2015	0.0
Designated for Debt Service	13.9
SUBTOTAL, FISCAL YEAR 2015 BEGINNING BALANCES	1,300.0

“Undesignated Fund Balance”

This line represents the undesignated closing balances in the budgeted funds from the preceding year. This line is comprised of any balance that remained in the budgeted funds that are not part of the Consolidated Net Surplus calculation. The Inland Fisheries and Game Fund is one such example.

“Stabilization Fund Balance”

This line reflects the FY 2014 ending balance of the Stabilization Fund. The purpose of the fund was to create and maintain a reserve to which any available portion of a consolidated net surplus in the operating funds would be transferred to and from which appropriations may be made for the following purposes: “(1) to make up any difference between actual state revenues and allowable state revenues in any fiscal year in which actual revenues fall below the allowable amount and (2) to replace the state and local loss of federal funds or (3) for any event which threatens the health, safety or welfare of the people or the fiscal stability of the commonwealth or any of its political subdivisions”.

“Designated for Continuing Appropriations into FY2015”

This line includes the value of "Prior Appropriations Continued" or "PACs", which are re-appropriated unexpended and unencumbered monies from one fiscal year for the subsequent fiscal year. In essence, the Legislature appropriated money in one fiscal year that for one reason or another went

unspent by the time that fiscal year closed. This money is then carried forward to be made available for expenditure in the next fiscal year.

“Designated for Debt Service”

This line represents unspent balances reserved for debt service (where money must remain with the escrow agent after being transferred there during the fiscal year). Due to certain covenants in debt service trust agreements (for example gas tax bonds) the Commonwealth is required to deposit specific streams of revenue with bond trustees. At the end of each fiscal year, this revenue is held by the fiscal agent and applied to the following year’s debt service. These amounts show as reserved or designated on the Commonwealth’s financial statements, and reduce the undesignated balances.

Section 2: Current Year Revenue and Spending

<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>	
Gross Tax Revenues	24,337.0
Tax Initiatives	107.9
FAS 109 Delay	45.8
Sales Tax Dedicated to the MBTA	(811.3)
Annual State Contribution to the State Pension System	(1,793.0)
Sales Tax Dedicated to the SBA	(782.4)
Workforce Training Trust Fund Transfer	(22.2)
SubTotal: Net Tax Revenue Available for Budget	21,081.8
Federal Reimbursements	9,522.0
Departmental Revenue	3,714.0
Consolidated Transfers	1,863.7
Settlements and Judgments < 5 YR Median	203.5
Tobacco Settlement Proceeds to OPEB	(75.9)
SUBTOTAL, FISCAL YEAR 2015 REVENUES	36,309.1
TOTAL, FISCAL YEAR 2015 AVAILABLE RESOURCES	37,609.2

“Current Year Revenues and Other Sources”

This section includes budgeted revenues and other financial resources pertaining to the budgeted funds, such as inflows from tax and non-tax sources, including Taxes, Federal Reimbursements, Departmental Revenue and Consolidated Transfers, that are directed by law to be accounted and reported to a fund which is subject to annual appropriation. Descriptions of each revenue category are provided below.

“Gross Tax Revenues”

On or before January 15 of each year, the Secretary is required to develop jointly with the House and Senate Committees on Ways and Means a consensus tax revenue forecast for the following fiscal year. The “Gross Tax Revenues” figure represents this consensus revenue estimate, upon which the three branches base their respective budgets.

“Tax Initiatives”

Additional information regarding the Governor’s tax initiatives can be found in the “Budget Development” section and Section 1A of the Governor’s FY 2015 budget.

“FAS 109 Delay”

Additional information on this item can be located in the “Budget Development” section of the Governor’s FY 2015 budget.

“Sales Tax Dedicated to the MBTA”

The amount dedicated to the Massachusetts Bay Transportation Authority is the amount raised by a 1% sales tax (not including meals), with an inflation-adjusted floor.

“Annual State Contribution to the State Pension System”

Beginning in FY 2005, state finance law has required that the consensus tax revenue forecasts be net of the amount necessary to fully fund the pension system according to the applicable funding schedule, which amount is to be transferred without further appropriation from the General Fund to the Commonwealth’s Pension Liability Fund.

“Sales Tax Dedicated to the SBA”

The amount dedicated to the School Building Authority is the amount raised by a 1% sales tax (not including meals).

“Workforce Training Trust Fund Transfer”

The FY 2012 General Appropriations Act included a reform to the funding structure of the Workforce Training Fund by funding the program through an “off-budget” trust fund. Tax revenues are now transferred into the non-budgetary trust fund and the recently established trust fund is not subject to appropriation.

“Federal Reimbursements”

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs.

“Departmental Revenue”

Departmental and other non-tax revenues are derived from licenses, tuition, fees and reimbursements and assessments for services.

“Consolidated Transfers”

Consolidated transfers reflect inflows to the General Fund from non-budgeted funds which include annual tobacco settlement proceeds received as part of the Master Settlement Agreement with tobacco companies, net revenues from the State Lottery Fund, fringe revenue to recoup the cost of various statewide benefits assessed on non-budgeted funds and revenues from the Commonwealth’s Unclaimed Property Division.

“Settlements and Judgments < 5 YR Median”

The Governor’s FY 2015 budget refines the policy on settlements or judgments in excess of \$10 M to more closely align with the capital gains provision, which sets a threshold above which capital gains collections are unavailable to support budgetary expenditures and instead must be dedicated to the Commonwealth’s Stabilization Fund. While each of these judgments and settlements are one-time events there is a baseline amount of revenue that the Commonwealth collects from these on an annual basis and can responsibly budget against. This refinement would still preserve the primary goal behind the original provision: isolating volatile revenues and segregating them into reserves.

“Tobacco Settlement Proceeds to OPEB”

In FY 2015, 30% of the state’s annual tobacco settlement receipts, or \$75.9 M, will be set aside to help prepare for this liability. This percentage will grow each year by 10 percentage points (e.g., in FY 2015, 30% of tobacco settlement payments), until 100%, or an estimated \$254 M, is dedicated annually to help offset these costs.

<u>EXPENDITURES AND USES</u>	
Appropriated Spending	36,373.7
Contingency Reserve	0.0
Unspent Appropriations Continued to Fiscal Year 2016	0.0
TOTAL, FISCAL YEAR 2015 EXPENDITURES	36,373.7
<u>END OF FISCAL YEAR RESERVED BALANCES</u>	
Designated for Continuing Appropriations	0.0
Designated for Debt Service	13.9
FISCAL YEAR 2015 UNDESIGNATED FUND BALANCE	1,221.6
Fund Balance Deficit Elimination Transfers	0.1
UNDESIGNATED FUND BALANCE	1,221.6
Balances Reserved in Other Budgeted Funds	1,221.3

“Appropriated Spending”

This line represents all appropriations made through various appropriation vehicles – for the most part by the budget act and supplemental spending bills.

It also captures:

- "Prior Appropriations Continued" or "PACs", a phrase used to reappropriate unexpended and unencumbered monies from one fiscal year for the subsequent fiscal year. In this row we are spending what was carried in the “Designated for Continuing Appropriations into FY 2014” row in the Beginning Balances section of the document.
- "Retained revenue", the income of state agency or other public instrumentality from its operations which by law it is allowed to expend for a particular purpose up to a specified limit without further appropriation which would otherwise be subject to direct appropriation.

- “Section 2E Operating Transfers”, a transfer of funds from a budgeted fund to non-budgeted funds. An example of this is the transfer from the General Fund to the Commonwealth Care Trust Fund. The distinction between these transfers and the SBA, MBTA and Pension transfers is that those are required by law to be netted from the Consensus Revenue estimate and are not subject to appropriation.

“Contingency Reserve”

This row captures estimates for any potential further appropriations that may be requested through supplemental budget legislation for projected funding deficiencies.

“Unspent Appropriations Continued to Fiscal Year 2016”

This row reflects current year available spending that will be carried forward to be spent in the next fiscal year, in other words it represents current year PACs. PACs are reflected as a negative figure because they are reducing the current year spending total. The distinction between this row and the PACs carried in the “Direct Appropriations” row is that the latter is spending PACs from the previous fiscal year whereas the former is PACing money to the next fiscal year.

“Designated for Continuing Appropriations”

You may recall that the current year spending number does not count PACs as being spent; instead it counts PACs as a reduction in total available and therefore a reduction in total spending. However, showing PACs as unspent would increase the Undesignated Fund Balance in a misleading way since the extra balance created by the negative PAC entry is not undesignated and cannot be calculated as part of the Consolidated Net Surplus. The PACs must be considered spent or reserve for the calculation of surplus. This row accomplishes this by adding the PAC number back in so that we can have an accurate representation of “undesignated fund balances” that will ultimately be calculated as part of the Consolidated Net Surplus.

“Fund Balance Deficit Elimination Transfers”

Prior to calculating the Consolidated Net Surplus, the state Comptroller is under law required to eliminate deficits in any of the budgeted funds by transferring positive balances, proportionally, in any other budgeted funds that contribute to the Consolidated Net Surplus:

all transfers specified in this section shall be made from the undesignated fund balances in the budgetary funds proportionally from those undesignated fund balances, but no such transfer shall cause a deficit in any of those funds; provided, however, that prior to certifying the consolidated net surplus in accordance with this section, the comptroller shall, to the extent possible, eliminate deficits in any fund contributing to the surplus by transferring positive fund balances from any other fund contributing to the surplus.

“Balances Reserved in Other Budgeted Funds”

As mentioned earlier, state finance law excludes balances in certain budgeted funds from being used as part of the calculation of the Consolidated Net Surplus. This line eliminates those balances from the calculation as well as eliminating any funds that were reserved for future use, i.e., PACs.

Section 3. Ending Balances

CONSOLIDATED NET SURPLUS	0.1
 <u>FISCAL YEAR 2015 ENDING BALANCES</u>	
Undesignated Fund Balance	21.3
Stabilization Fund Balance	1,200.1
Designated for Continuing Appropriations into FY2016	0.0
Designated for Debt Service	13.9
TOTALS, FISCAL YEAR 2015 ENDING BALANCES	1,235.3

“Consolidated Net Surplus”

Except as otherwise provided by law (see below), the amount certified as Consolidated Net Surplus by the Comptroller shall be transferred to the Stabilization Fund.

“Undesignated Fund Balance” & “Stabilization Fund Balance” & “Designated for Continuing Appropriations in Fiscal Year 2016” & “Designated for Debt Service”

The definitions of these four rows are identical to their counterparts in the “Beginning Balances” section, albeit with different figures due to the current year activity that took place.



FISCAL YEAR 2012

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS
<u>FISCAL YEAR 2012 BEGINNING BALANCES</u>	
Undesignated Fund Balance	121.6
Stabilization Fund Balance	1,379.1
Designated for Continuing Appropriations into FY2012	380.8
Designated for Debt Service	19.2
SUBTOTAL, FISCAL YEAR 2012 BEGINNING BALANCES	1,900.8
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>	
Gross Tax Revenues	21,114.7
Sales Tax Dedicated to the MBTA	(779.1)
Annual State Contribution to State Pension System	(1,478.0)
Sales Tax Dedicated to the SBA	(670.5)
Workforce Training Fund	(21.4)
SubTotal: Net Tax Revenue Available for Budget	18,165.7
Federal Reimbursements	7,971.7
Departmental Revenue	2,921.4
Consolidated Transfers	2,009.7
SUBTOTAL, FISCAL YEAR 2012 REVENUES	31,068.5
TOTAL, FISCAL YEAR 2012 AVAILABLE RESOURCES	32,969.3
TOTAL, FISCAL YEAR 2012 EXPENDITURES	30,979.6
<u>FISCAL YEAR 2012 ENDING BALANCES</u>	
Undesignated Fund Balance	167.1
Stabilization Fund Balance	1,652.1
Designated for Continuing Appropriations into FY2013	162.9
Designated for Debt Service	7.6
TOTALS, FISCAL YEAR 2012 ENDING BALANCES	1,989.7

[For additional detail behind FY 12 revenues and expenditures, please refer to the Fiscal 2012 Statutory Basis Financial Report, which can be found on the Comptroller's website at \[www.mass.gov/osc\]\(http://www.mass.gov/osc\).](#)

FY2015 Governor's Budget Recommendation

FISCAL YEAR 2013

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	WORKFORCE TRAINING	COMM. TRNSP FUND	MASS TOURISM	STABIL. FUND	OTHER FUNDS
<u>FISCAL YEAR 2013 BEGINNING BALANCES</u>							
Undesignated Fund Balance	167.2	146.9	0.0	0.0	0.0	0.0	20.3
Stabilization Fund Balance	1,652.1	0.0	0.0	0.0	0.0	1,652.1	0.0
Designated for Continuing Appropriations into FY2013	141.6	141.6	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2013 BEGINNING BALANCES	1,968.5	288.5	0.0	7.6	0.0	1,652.1	20.3
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>							
Gross Tax Revenues	21,496.0	20,447.0	21.6	981.6	44.9	0.0	0.9
Sales Tax Dedicated to the MBTA	(786.9)	(786.9)	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to the State Pension System	(1,552.0)	(1,552.0)	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	(682.2)	(682.2)	0.0	0.0	0.0	0.0	0.0
Workforce Training Trust Fund Transfer	(21.6)	0.0	(21.6)	0.0	0.0	0.0	0.0
SubTotal: Net Tax Revenue Available for Budget	18,453.3	17,425.9	0.0	981.6	44.9	0.0	0.9
Federal Reimbursements	8,207.4	8,201.9	0.0	0.0	0.0	0.0	5.5
Departmental Revenue	3,348.1	2,798.2	0.0	536.1	0.0	5.7	8.1
Consolidated Transfers	1,900.1	2,303.0	0.0	0.0	(0.4)	(400.7)	(1.8)
Tobacco Settlement Proceeds to OPEB	(25.3)	(25.3)	0.0	0.0	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2013 REVENUES	31,883.6	30,703.7	0.0	1,517.7	44.5	(395.0)	12.7
TOTAL, FISCAL YEAR 2013 AVAILABLE RESOURCES	33,852.1	30,992.2	0.0	1,525.3	44.5	1,257.1	33.0
<u>EXPENDITURES AND USES</u>							
Appropriated Spending	32,543.0	30,993.8	0.0	1,519.5	16.4	0.0	13.3
Contingency Reserve	24.6	24.6	0.0	0.0	0.0	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2013 EXPENDITURES	32,567.6	31,018.4	0.0	1,519.5	16.4	0.0	13.3
<u>END OF FISCAL YEAR RESERVED BALANCES</u>							
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
FISCAL YEAR 2013 UNDESIGNATED FUND BALANCE	1,276.9	(26.2)	0.0	(1.8)	28.1	1,257.1	19.7
Fund Balance Deficit Elimination Transfers	0.0	26.2	0.0	1.8	(28.0)	0.0	0.0
UNDESIGNATED FUND BALANCE	1,276.9	0.0	0.0	0.0	0.1	1,257.1	19.7
Balances Reserved in Other Budgeted Funds	1,276.8	0.0	0.0	0.0	0.0	1,257.1	19.7
CONSOLIDATED NET SURPLUS	0.1	0.0	0.0	0.0	0.1	0.0	0.0
STATUTORY CARRY FORWARD TO FY2013	0.0						
STATUTORY TRANSFER TO STABILIZATION FUND	0.0						
REMAINING SURPLUS DEPOSITED IN STABILIZATION FUND	0.1						
<u>FISCAL YEAR 2013 ENDING BALANCES</u>							
Undesignated Fund Balance	19.7	0.0	0.0	0.0	0.0	0.0	19.7
Stabilization Fund Balance	1,257.2	0.0	0.0	0.0	0.0	1,257.2	0.0
Designated for Continuing Appropriations into FY2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
TOTALS, FISCAL YEAR 2013 ENDING BALANCES	1,284.5	0.0	0.0	7.6	0.0	1,257.2	19.7

FISCAL YEAR 2014

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	WORKFORCE TRAINING	COMM. TRNSP FUND	MASS TOURISM	STABIL. FUND	OTHER FUNDS
<u>FISCAL YEAR 2014 BEGINNING BALANCES</u>							
Undesignated Fund Balance	19.7	0.0	0.0	0.0	0.0	0.0	19.7
Stabilization Fund Balance	1,257.2	0.0	0.0	0.0	0.0	1,257.2	0.0
Designated for Continuing Appropriations into FY2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2014 BEGINNING BALANCES	1,284.5	0.0	0.0	7.6	0.0	1,257.2	19.7
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>							
Gross Tax Revenues Including Governor's Proposals	23,181.7	22,103.7	21.6	1,009.5	46.0	0.0	0.9
Sales Tax Dedicated to the MBTA	(799.6)	(799.6)	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to the State Pension System	(1,630.0)	(1,630.0)	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	(707.8)	(707.8)	0.0	0.0	0.0	0.0	0.0
Workforce Training Trust Fund Transfer	(21.6)	0.0	(21.6)	0.0	0.0	0.0	0.0
SubTotal: Net Tax Revenue Available for Budget	20,022.7	18,966.3	0.0	1,009.5	46.0	0.0	0.9
Federal Reimbursements	\$,611.8	\$,606.3	0.0	0.0	0.0	0.0	5.5
Departmental Revenue	3,475.3	2,922.8	0.0	538.1	0.0	5.7	8.7
Consolidated Transfers	2,144.2	2,290.7	0.0	0.0	2.2	(227.4)	78.7
Revenue Anticipation Note	400.0	400.0	0.0	0.0	0.0	0.0	0.0
Tobacco Settlement Proceeds to OPEB	(50.6)	(50.6)	0.0	0.0	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2014 REVENUES	34,603.4	33,135.5	0.0	1,547.6	48.2	(221.7)	93.8
TOTAL, FISCAL YEAR 2014 AVAILABLE RESOURCES	35,887.9	33,135.5	0.0	1,555.2	48.2	1,035.5	113.5
<u>EXPENDITURES AND USES</u>							
Appropriated Spending	34,825.0	32,941.6	0.0	1,769.4	19.6	0.0	94.4
Contingency Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2014 EXPENDITURES	34,825.0	32,941.6	0.0	1,769.4	19.6	0.0	94.4
<u>END OF FISCAL YEAR RESERVED BALANCES</u>							
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
FISCAL YEAR 2014 UNDESIGNATED FUND BALANCE	1,055.4	193.9	0.0	(221.8)	28.7	1,035.5	19.1
Fund Balance Deficit Elimination Transfers	0.0	(193.2)	0.0	221.8	(28.6)	0.0	0.0
UNDESIGNATED FUND BALANCE	1,055.4	0.7	0.0	0.0	0.1	1,035.5	19.1
Balances Reserved in Other Budgeted Funds	1,054.6	0.0	0.0	0.0	0.0	1,035.5	19.1
CONSOLIDATED NET SURPLUS	0.8	0.7	0.0	0.0	0.1	0.0	0.0
<u>FISCAL YEAR 2014 ENDING BALANCES</u>							
Undesignated Fund Balance	19.1	0.0	0.0	0.0	0.0	0.0	19.1
Stabilization Fund Balance	1,036.3	0.0	0.0	0.0	0.0	1,036.3	0.0
Designated for Continuing Appropriations into FY2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	7.6	0.0	0.0	7.6	0.0	0.0	0.0
TOTALS, FISCAL YEAR 2014 ENDING BALANCES	1,063.0	0.0	0.0	7.6	0.0	1,036.3	19.1



Fund Balance Tables

All Funds Balances (in millions)

This table consolidates all the budgeted funds which are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions. Major budgeted funds include the General, Stabilization, Massachusetts Tourism, and Commonwealth Transportation funds.

	FY12	FY13	FY14
Beginning Fund Balances	1,900.7	1,968.5	1,284.5
Taxes	17,653.2	18,453.3	20,022.7
Federal Revenues			
Federal Revenues	9,299.2	8,206.3	8,138.7
- Reimbursement for Services	0.3	1.1	473.1
Departmental Revenues			
- Fees	1,116.0	1,064.2	1,078.1
- Reimbursement for Services	794.7	972.8	1,039.2
- Special Assessments	459.9	448.2	458.2
- Federal Reimbursement	204.6	219.0	223.8
- Licenses and Permits	119.4	113.4	121.9
- Pensions - Other	55.9	45.5	45.5
- Fines and Penalties	35.9	38.0	49.9
- Unclaimed Deposits	35.8	36.0	60.2
- Revenue Maximization	33.9	26.4	25.4
- Rents	32.0	32.7	34.0
- Fringe Benefit Recovery Cost	30.0	150.3	95.0
- Operating Transfers In	29.9	31.1	30.2
- Interest Income	25.0	19.6	19.6
- Revenue Collections by Courts	16.2	103.3	104.0
- Sale of Goods	10.8	11.9	43.8
- Deeds County Correction	0.1	0.3	0.3
- Federal Grant	0.0	0.0	1.8
- Trust Contributions	0.0	0.0	0.3
- Other Sources	0.0	0.0	1.5
- Miscellaneous	(88.7)	35.6	42.5
Consolidated Transfers	1,779.1	1,900.2	2,144.3
Total Revenues	31,643.4	31,909.1	34,254.0
Transfers from Other Funds	(1,314.3)	(25.5)	349.4
Total Available	32,229.9	33,852.1	35,887.9

All Funds Balances (in millions)

This table consolidates all the budgeted funds which are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions. Major budgeted funds include the General, Stabilization, Massachusetts Tourism, and Commonwealth Transportation funds.

	FY12	FY13	FY14
Local Aid	4,864.5	5,104.0	5,375.6
Medicaid	10,431.1	10,857.7	12,273.5
Debt Service	2,154.3	2,366.5	2,428.4
Judiciary	765.3	777.8	808.5
Independents	2,808.2	971.2	923.9
Administration & Finance	1,634.9	2,784.1	2,646.5
Energy & Environmental Affairs	187.5	203.0	224.0
Health & Human Services	4,672.0	5,578.2	5,559.3
Transportation	0.0	348.9	589.7
Housing & Economic Development	437.3	471.4	485.7
Labor & Workforce Development	36.0	40.6	42.1
Education	1,925.0	2,028.1	2,395.2
Public Safety	926.6	969.8	1,007.3
Legislature	58.4	66.2	65.4
Total Expenditures	30,901.1	32,567.6	34,825.0
Transfers to Other Funds	(661.0)	0.0	(0.1)
Ending Fund Balances	1,989.7	1,284.5	1,063.0

General Fund Balances (in millions)

The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, Constitutional offices, Judiciary, institutions of higher education and independent commissions are paid for from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

	FY12	FY13	FY14
Beginning Fund Balances	450.8	288.5	0.0
Taxes	16,586.4	17,425.9	18,966.3
Federal Revenues			
Federal Revenues	9,295.0	8,200.8	8,133.2
- Reimbursement for Services	0.3	1.1	473.1
Departmental Revenues			
- Reimbursement for Services	794.7	972.8	1,039.2
- Fees	615.1	548.3	560.2
- Special Assessments	438.4	426.0	435.8
- Federal Reimbursement	204.6	219.0	223.8
- Licenses and Permits	113.1	107.9	116.2
- Pensions - Other	55.9	45.5	45.5
- Fines and Penalties	35.9	38.0	49.9
- Unclaimed Deposits	35.8	36.0	60.2
- Revenue Maximization	33.9	26.4	25.4
- Rents	32.0	32.7	34.0
- Fringe Benefit Recovery Cost	30.0	150.3	95.0
- Operating Transfers In	29.9	31.1	30.2
- Revenue Collections by Courts	16.1	103.3	104.0
- Interest Income	14.6	13.9	13.9
- Sale of Goods	10.8	11.5	43.4
- Deeds County Correction	0.1	0.3	0.3
- Federal Grant	0.0	0.0	1.8
- Trust Contributions	0.0	0.0	0.3
- Other Sources	0.0	0.0	1.5
- Miscellaneous	(64.7)	35.3	42.2
Consolidated Transfers	1,497.1	2,303.0	2,290.7
Total Revenues	29,775.0	30,729.0	32,786.2
Transfers from Other Funds	(610.8)	(25.3)	349.3
Total Available	29,615.0	30,992.2	33,135.5

General Fund Balances (in millions)

The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, Constitutional offices, Judiciary, institutions of higher education and independent commissions are paid for from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

	FY12	FY13	FY14
Local Aid	4,864.5	5,104.0	5,366.8
Medicaid	10,431.1	10,857.7	12,273.5
Debt Service	1,078.0	1,215.5	1,248.7
Judiciary	765.3	777.8	808.5
Independents	2,419.0	971.2	923.9
Administration & Finance	1,634.9	2,784.1	2,646.5
Energy & Environmental Affairs	176.2	189.7	210.1
Health & Human Services	4,672.0	5,578.2	5,559.3
Housing & Economic Development	425.7	454.9	425.7
Labor & Workforce Development	36.0	40.6	40.5
Education	1,925.0	2,028.1	2,365.4
Public Safety	926.6	969.8	1,007.3
Legislature	58.4	66.2	65.4
Total Expenditures	29,412.5	31,038.0	32,941.7
Transfers to Other Funds	(99.1)	(45.8)	193.8
Ending Fund Balances	301.6	0.0	0.0

Workforce Training Fund Balances (in millions)

The Workforce Training Fund, authorized in section 2RR of Chapter 29 of the General Laws and administered by the Executive Office of Labor and Workforce Development, provides employers with matching grants of up to \$250,000 or more to help train new and incumbent workers. It was established in July 1998, and financed entirely by Massachusetts employers. In fiscal year 2011 the Fund was financed by an employer surcharge of .075% on employees' wages, paid concurrently with payments into the Unemployment Insurance Trust Fund. Annual state revenues from employer contributions total approximately \$19 million, and state appropriations for training grants are continually rolled forward into future fiscal years to provide for multiple-year grant awards. Recent changes to state finance law made the Workforce Training Fund an "off-budget" trust fund. This change will be responsive to private employers concerns that annual WTF contributions have been diverted in the past from job training initiatives and used for broader budget purposes.

	FY12	FY13	FY14
Beginning Fund Balances	0.0	0.0	0.0
Taxes	20.4	0.0	0.0
Consolidated Transfers	(3.8)	0.0	0.0
Total Revenues	16.6	0.0	0.0
Transfers from Other Funds	16.2	0.0	0.0
Total Available	32.8	0.0	0.0
Transfers to Other Funds	32.8	0.0	0.0
Ending Fund Balances	0.0	0.0	0.0

Commonwealth Transportation Fund Balances (in millions)

The Commonwealth Transportation Fund accounts for road and highway use revenues, including the gas tax, registry fees and 0.385% of the sales tax. The fund is used to pay debt service associated with highway maintenance and construction projects and provides funding for the operation of the independent Massachusetts Department of Transportation (MassDOT). Established as part of the historic transportation reforms implemented in fiscal year 2010, the fund replaced the former Highway Fund as the principal source of transportation related revenues and expenditures for the Commonwealth.

	FY12	FY13	FY14
Beginning Fund Balances	31.2	7.6	7.6
Taxes	962.1	981.6	1,009.5
Departmental Revenues			
- Fees	498.1	513.0	514.7
- Special Assessments	21.5	22.2	22.5
- Licenses and Permits	0.3	0.3	0.3
- Revenue Collections by Courts	0.2	0.0	0.0
- Sale of Goods	0.0	0.4	0.4
- Miscellaneous	(20.9)	0.3	0.3
Consolidated Transfers	(32.9)	0.0	0.0
Total Revenues	1,428.4	1,517.7	1,547.6
Transfers from Other Funds	(20.3)	0.0	0.0
Total Available	1,439.2	1,525.3	1,555.2
Debt Service	1,076.3	1,151.0	1,179.7
Independents	383.2	0.0	0.0
Transportation	0.0	348.9	589.7
Total Expenditures	1,459.5	1,499.9	1,769.4
Transfers to Other Funds	(27.9)	17.8	(221.8)
Ending Fund Balances	7.6	7.6	7.6

Tourism Fund Balances (in millions)

The Massachusetts Tourism Fund, authorized in section 35J of Chapter 10 of the MGL, is funded with 35 percent of the State's annual revenues received from the hotel occupancy tax authorized in section 3 of Chapter 64G. The Fund's use is proscribed in Chapter 10, which includes a formula that assigns various funding levels for tourism promotion programs and activities, including the Massachusetts Office of Travel and Tourism, regional tourism promotion agencies, the Massachusetts Office of International Trade and Investment, and the Cultural Facilities Fund. While funding for the purposes prescribed in the section are being made in this budget, the specific requirements of the fund have been suspended through an outside section for the last several years.

	FY12	FY13	FY14
Beginning Fund Balances	0.0	0.0	0.0
Federal Revenues	5.3	5.5	5.5
Departmental Revenues			
- Licenses and Permits	6.0	5.2	5.4
- Fees	2.8	2.9	3.2
- Fines and Penalties	0.1	0.0	0.0
- Rents	0.1	0.0	0.0
Consolidated Transfers	0.8	(1.8)	(1.8)
Total Revenues	15.1	11.9	12.4
Transfers from Other Funds	(15.1)	(11.9)	(12.4)
Total Available	0.0	0.0	0.0
Energy & Environmental Affairs	11.4	13.3	13.9
Total Expenditures	11.4	13.3	13.9
Transfers to Other Funds	(11.4)	(13.3)	(13.9)
Ending Fund Balances	0.0	0.0	0.0

Stabilization Fund Balances (in millions)

The Commonwealth Stabilization Fund is established in Chapter 29, section 2H of the General Laws as a reserve of surplus revenues to be used for the purposes of: (1) covering revenue shortfalls, (2) covering state or local losses of federal funds, or (3) for any event which threatens the health, safety or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The fund is sometimes referred to as the state's "rainy day fund," serving as a source of financial support for the state budget in times of slow or declining revenue growth and as the primary source of protection against having to make drastic cuts in state services in periods of economic downturns. There are a number of different ways monies can be deposited to the fund including but not limited to: the statutorily required deposit of 1/2 of 1 per cent of state tax revenue in a fiscal year, any capital gains revenue above and beyond \$1 billion in a given fiscal year, deposits of any one-time settlements or judgments amounting to \$10 million or more and ad hoc deposits as authorized by the state Legislature.

	FY12	FY13	FY14
Beginning Fund Balances	7.2	0.0	0.0
Taxes	38.6	44.9	46.0
Consolidated Transfers	(28.1)	(0.4)	2.2
Total Revenues	10.5	44.5	48.2
Transfers from Other Funds	21.0	0.0	0.0
Total Available	38.7	44.5	48.2
Independents	6.0	0.0	0.0
Housing & Economic Development	11.6	16.4	19.6
Total Expenditures	17.7	16.4	19.6
Transfers to Other Funds	21.0	28.1	28.6
Ending Fund Balances	0.0	0.0	0.0

Other Funds Balances (in millions)

These include the Inland Fisheries and Game Fund and Marine Recreational Fisheries Development Fund. The latter, which was recently established, accounts for all recreational saltwater fishing permit fees collected by the director of the division of marine fisheries. Fees collected in this fund shall be used for the development and administration of the recreational saltwater fishing permit program which supports science and conservation programs designed to improve recreational saltwater fishing.

	FY12	FY13	FY14
Beginning Fund Balances	0.0	0.0	0.0
Total Revenues	0.0	0.0	0.0
Total Available	0.0	0.0	0.0
Ending Fund Balances	0.0	0.0	0.0

